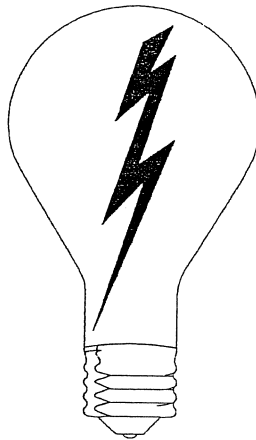


YEAR ENDING 2006

ANNUAL REPORT
OF
AVISTA CORPORATION
ELECTRIC UTILITY



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PUBLIC SERVICE
COMMISSION

TO THE
PUBLIC SERVICE COMMISSION
STATE OF MONTANA
1701 PROSPECT AVENUE
P.O. BOX 202601
HELENA, MT 59620-2601

IDENTIFICATION

Year: 2006

1.	Legal Name of Respondent:	Avista Corporation
2.	Name Under Which Respondent Does Business:	Avista Corp. and Avista Utilities
3.	Date Utility Service First Offered in Montana	July, 1960
4.	Address to send Correspondence Concerning Report:	1411 East Mission Avenue PO Box 3727 Spokane, WA 99220
5.	Person Responsible for This Report:	Ann Wilson Vice President and Controller
5a.	Telephone Number:	509-495-4321
Control Over Respondent		
1.	If direct control over the respondent was held by another entity at the end of year provide the following:	
	1a. Name and address of the controlling organization or person:	
	1b. Means by which control was held:	
	1c. Percent Ownership:	

SCHEDULE 2

Board of Directors		
Line No.	Name of Director and Address (City, State) (a)	Remuneration (b)
1	Erik J. Anderson 2420 Carillon Point, Kirkland, WA 98033	\$104,500.00
2	Kristianne Blake P. O. Box 28338, Spokane, WA 99228	\$115,936.00
3	David A. Clack (1) 325 E. Sprague Ave., Spokane, WA 99202	\$40,917.00
4	Roy Lewis Eiguren P.O. Box 2720, Boise, ID 83701	\$92,000.00
5	Jack W. Gustavel P.O. Box J, Coeur d'Alene, ID 83816	\$101,584.00
6	John F. Kelly 4915 E. Doubletree Ranch Rd., Paradise Valley, AZ	\$94,417.00
7	Jessie J. Knight, Jr. (2) 402 W. Broadway, Suite 1000, San Diego, CA 92101	\$49,417.00
8	Michael L. Noel 1107 Pine Country Ct., Prescott, AZ 86303	\$110,000.00
9	Lura J. Powell, Ph.D. 2400 Stevens Dr., Suite B, Richland, WA 99352	\$90,417.00
10	Heidi B. Stanley 111 North Wall Stree, Spokane, WA 99201	\$72,333.00
11	R. John Taylor P. O. Box 538, Lewiston, ID 83501	\$99,799.00
12	Gary G. Ely (3) 1411 E. Mission Ave., Spokane, WA 99220	(3)
13	Scott L. Morris (4) 1411 E. Mission Ave., Spokane, WA 99220	(4)
14	(1) Mr. Clack retired from the board on May 11, 2006	
15	(2) Mr. Knight resigned as a member of the Board on June 22, 2006 due to	
16	accepting a position at another utility.	
17	(3) Mr. Morris is President of Avista Corporation. Appointed to the Board	
18	in February 2007. Elected Chairman and CEO effective 1/1/2008.	
19	(1) Mr. Ely is Chairman of the Board as well as Chief Executive Officer of Avista	
20	Corporation. Mr. Ely will retire on December 31, 2007.	

Officers

Year: 2006

Line No.	Title of Officer (a)	Department Supervised (b)	Name (c)
1	Chairman of the Board	All	Gary G. Ely
2	& Chief Executive Officer (1)		
3			
4	President and Chief Operating Officer,	Utility Operations	Scott L. Morris
5	President of Avista Utilities (2)		
6			
7	Executive Vice President & Chief	Finance	Malyn K. Malquist
8	Financial Officer		
9			
10	Senior Vice President, General Counsel	Legal	Marian M. Durkin
11	and Chief Compliance Officer		
12			
13	Senior Vice President of Human	Human Resources	Karen S. Feltes
14	Resources & Corporate Secretary		
15			
16	Vice President & Treasurer	Finance	Christy Burmeister-Smith
17			
18	Vice President of State &	Regulatory	Kelly O. Norwood
19	Federal Regulation		
20			
21	Vice President of Transmission and	Transmission and	Don F. Kopczynski
22	Distribution Operations	Distribution	
23			
24	Vice President, Customer Solutions	Utility Operations	Roger D. Woodworth
25			
26	Vice President of Energy Resources	Resource Management	Ronald R. Peterson
27	and Optimization		
28			
29	Vice President and Chief Counsel for	Legal/Regulatory	David J. Meyer
30	Regulatory and Governmental Affairs		
31			
32	Vice President and Controller	Accounting	Ann M. Wilson
33			
34	Vice President and Chief Information	Information	James M. Kensok
35	Officer (3)	Technology	
36			
37	(1) Will retire on December 31, 2007		
38	(2) Appointed Chairman and Chief Executive Officer effective January 1, 2008.		
39	(3) Appointed to position effective in January 2007.		
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CORPORATE STRUCTURE

Year: 2006

	Subsidiary/Company Name	Line of Business	Earnings	Percent of Total
1				
2	Avista Capital, Inc.	Parent company to all of	\$16,839,461	100.00%
3		Company's non-regulated		
4		subsidiaries		
5				
6	Avista Capital II	Business trusts formed for the purpose		
7	AVA Captial Trust III	of issuing preferred trust securities.		
8				
9				
10	Advantage IQ, Inc.	Provider of utility bill processing, payment and information		
11	(formerly Avista Advantage, Inc.)	services to multi-site customers in North America.		
12				
13	Avista Energy, Inc.	Wholesale electricity and natural gas trading, marketing and		
14		resource management.		
15				
16	Avista Energy Canada, Ltd.	A wholly owned subsidiary of Avista Energy that provides natural		
17		gas service to 200 individual customers in BC, Canada.		
18				
19	Avista Power, LLC	Owns non-regulated generation assets.		
20				
21	Avista Turbine Power, LLC	Receives assignments of purchase power agreements.		
22				
23	Avista Rathdrum, LLC	Owned 49 percent of Rathdrum Power LLC (sold 10/2006)		
24				
25	Rathdrum Power, LLC	Owns a non-regulated generation asset (sold 10/2006).		
26				
27	Avista Ventures, Inc.	Invests in emerging businesses. Parent of Avista Development		
28		and Pentzer Corporation		
29				
30	Avista Development, Inc.	Non-operating company which maintains an investment portfolio		
31		of real estate and other investments.		
32				
33	Pentzer Corporation	Parent company to Advanced Manufacturing and Development.		
34				
35	Advanced Manufacturing	Performs custom sheet metal manufacturing of electronic		
36	and Development, Inc.	enclosures. Has a wood products division.		
37				
38				
39	Avista Receivables Corp.	Acquires and sells accounts receivable		
40		of Avista Corp.		
41				
42	Coyote Springs 2, LLC	Developed and owned an electric generation asset.		
43				
44	Spokane Energy, LLC	Marketing of energy.		
45				
46	AVA Formation Corp.	Holding Company. Formed in 2006.		
47				
48				
49				
50	TOTAL		16,839,461	

CORPORATE ALLOCATIONS

Year: 2006

	Items Allocated	Classification	Allocation Method	\$ to MT Utility	MT %	\$ to Other
1	Not applicable					
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34	TOTAL					

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED TO UTILITY Year: 2006

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Utility	(e) % Total Affil. Revs.	(f) Charges to MT Utility
1						
2	None					
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32	TOTAL					

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY Year: 2006

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Affiliate	(e) % Total Affil. Exp.	(f) Revenues to MT Utility
1						
2						
3	Avista Energy	Transmission	Market Price	20,875	less than 1%	
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32	TOTAL			20,875		

MONTANA UTILITY INCOME STATEMENT

Year: 2006

	Account Number & Title	Last Year	This Year	% Change
1	400 Operating Revenues	10,877,767	14,759,468	35.68%
2				
3	Operating Expenses			
4	401 Operation Expenses	16,684,560	18,907,761	13.32%
5	402 Maintenance Expense	4,942,121	8,095,742	63.81%
6	403 Depreciation Expense	11,107,194	11,333,088	2.03%
7	404-405 Amortization of Electric Plant	none/n.a.	none/n.a.	#VALUE!
8	406 Amort. of Plant Acquisition Adjustments	none/n.a.	none/n.a.	#VALUE!
9	407 Amort. of Property Losses, Unrecovered Plant			
10	& Regulatory Study Costs	none/n.a.	none/n.a.	#VALUE!
11	408.1 Taxes Other Than Income Taxes	8,464,508	7,205,095	-14.88%
12	409.1 Income Taxes - Federal	none/n.a.	none/n.a.	#VALUE!
13	- Other	792,927	213,789	-73.04%
14	410.1 Provision for Deferred Income Taxes	none/n.a.	none/n.a.	#VALUE!
15	411.1 (Less) Provision for Def. Inc. Taxes - Cr.	none/n.a.	none/n.a.	#VALUE!
16	411.4 Investment Tax Credit Adjustments	none/n.a.	none/n.a.	#VALUE!
17	411.6 (Less) Gains from Disposition of Utility Plant	none/n.a.	none/n.a.	#VALUE!
18	411.7 Losses from Disposition of Utility Plant	none/n.a.	none/n.a.	#VALUE!
19				
20	TOTAL Utility Operating Expenses	41,991,310	45,755,475	8.96%
21	NET UTILITY OPERATING INCOME	(31,113,543)	(30,996,007)	0.38%

MONTANA REVENUES

SCHEDULE 9

	Account Number & Title	Last Year	This Year	% Change
1	Sales of Electricity			
2	440 Residential	6,958	7,147	2.72%
3	442 Commercial & Industrial - Small	1,976	2,223	12.50%
4	Commercial & Industrial - Large			
5	444 Public Street & Highway Lighting			
6	445 Other Sales to Public Authorities			
7	446 Sales to Railroads & Railways			
8	448 Interdepartmental Sales	6,393	7,445	16.46%
9				
10	TOTAL Sales to Ultimate Consumers	15,327	16,815	9.71%
11	447 Sales for Resale	9,829,598	14,598,612	48.52%
12				
13	TOTAL Sales of Electricity	9,844,925	14,615,427	48.46%
14	449.1 (Less) Provision for Rate Refunds			
15				
16	TOTAL Revenue Net of Provision for Refunds	9,844,925	14,615,427	48.46%
17	Other Operating Revenues			
18	450 Forfeited Discounts & Late Payment Revenues			
19	451 Miscellaneous Service Revenues			
20	453 Sales of Water & Water Power			
21	454 Rent From Electric Property	43,386	45,136	4.03%
22	455 Interdepartmental Rents			
23	456 Other Electric Revenues	989,456	98,905	-90.00%
24				
25	TOTAL Other Operating Revenues	1,032,842	144,041	-86.05%
26	Total Electric Operating Revenues	10,877,767	14,759,468	35.68%

MONTANA OPERATION & MAINTENANCE EXPENSES

Year: 2006

Account Number & Title		Last Year	This Year	% Change
1	Power Production Expenses			
2				
3	Steam Power Generation			
4	Operation			
5	500 Operation Supervision & Engineering	103,458	115,243	11.39%
6	501 Fuel	12,820,507	14,659,509	14.34%
7	502 Steam Expenses	1,165,771	1,205,731	3.43%
8	503 Steam from Other Sources		16,016	#DIV/0!
9	504 (Less) Steam Transferred - Cr.			
10	505 Electric Expenses	61,531	11,407	-81.46%
11	506 Miscellaneous Steam Power Expenses	1,312,422	1,357,913	3.47%
12	507 Rents	13,621	19,628	44.10%
13				
14	TOTAL Operation - Steam	15,477,310	17,385,447	12.33%
15				
16	Maintenance			
17	510 Maintenance Supervision & Engineering	324,441	354,380	9.23%
18	511 Maintenance of Structures	405,900	454,469	11.97%
19	512 Maintenance of Boiler Plant	2,611,525	4,432,308	69.72%
20	513 Maintenance of Electric Plant	(17,631)	444,902	2623.41%
21	514 Maintenance of Miscellaneous Steam Plant	354,983	534,244	50.50%
22				
23	TOTAL Maintenance - Steam	3,679,218	6,220,303	69.07%
24				
25	TOTAL Steam Power Production Expenses	19,156,528	23,605,750	23.23%
26				
27	Nuclear Power Generation			
28	Operation			
29	517 Operation Supervision & Engineering			
30	518 Nuclear Fuel Expense			
31	519 Coolants & Water			
32	520 Steam Expenses			
33	521 Steam from Other Sources			
34	522 (Less) Steam Transferred - Cr.			
35	523 Electric Expenses			
36	524 Miscellaneous Nuclear Power Expenses			
37	525 Rents			
38				
39	TOTAL Operation - Nuclear			
40				
41	Maintenance			
42	528 Maintenance Supervision & Engineering			
43	529 Maintenance of Structures			
44	530 Maintenance of Reactor Plant Equipment			
45	531 Maintenance of Electric Plant			
46	532 Maintenance of Miscellaneous Nuclear Plant			
47				
48	TOTAL Maintenance - Nuclear			
49				
50	TOTAL Nuclear Power Production Expenses			

MONTANA OPERATION & MAINTENANCE EXPENSES

Year: 2006

Account Number & Title		Last Year	This Year	% Change
1	Power Production Expenses -continued			
2	Hydraulic Power Generation			
3	Operation			
4	535 Operation Supervision & Engineering	135,509	93,170	-31.24%
5	536 Water for Power			
6	537 Hydraulic Expenses	61,525	77,203	25.48%
7	538 Electric Expenses	799,923	981,051	22.64%
8	539 Miscellaneous Hydraulic Power Gen. Expenses	78,968	184,514	133.66%
9	540 Rents			
10				
11	TOTAL Operation - Hydraulic	1,075,925	1,335,938	24.17%
12				
13	Maintenance			
14	541 Maintenance Supervision & Engineering	123,300	34,077	-72.36%
15	542 Maintenance of Structures	73,305	54,805	-25.24%
16	543 Maint. of Reservoirs, Dams & Waterways	59,234	33,812	-42.92%
17	544 Maintenance of Electric Plant	683,087	1,041,970	52.54%
18	545 Maintenance of Miscellaneous Hydro Plant	174,242	261,831	50.27%
19				
20	TOTAL Maintenance - Hydraulic	1,113,168	1,426,495	28.15%
21				
22	TOTAL Hydraulic Power Production Expenses	2,189,093	2,762,433	26.19%
23				
24	Other Power Generation			
25	Operation			
26	546 Operation Supervision & Engineering			
27	547 Fuel			
28	548 Generation Expenses			
29	549 Miscellaneous Other Power Gen. Expenses			
30	550 Rents			
31				
32	TOTAL Operation - Other			
33				
34	Maintenance			
35	551 Maintenance Supervision & Engineering			
36	552 Maintenance of Structures			
37	553 Maintenance of Generating & Electric Plant			
38	554 Maintenance of Misc. Other Power Gen. Plant			
39				
40	TOTAL Maintenance - Other			
41				
42	TOTAL Other Power Production Expenses			
43				
44	Other Power Supply Expenses			
45	555 Purchased Power			
46	556 System Control & Load Dispatching			
47	557 Other Expenses			
48				
49	TOTAL Other Power Supply Expenses			
50				
51	TOTAL Power Production Expenses	21,345,621	26,368,183	23.53%

MONTANA OPERATION & MAINTENANCE EXPENSES

Year: 2006

Account Number & Title		Last Year	This Year	% Change
1	Transmission Expenses			
2	Operation			
3	560 Operation Supervision & Engineering	20,794	24,043	15.62%
4	561 Load Dispatching	19,150	37,335	94.96%
5	562 Station Expenses	2,162	1,689	-21.88%
6	563 Overhead Line Expenses	21,397	57,507	168.76%
7	564 Underground Line Expenses			
8	565 Transmission of Electricity by Others			
9	566 Miscellaneous Transmission Expenses			
10	567 Rents	67,822	65,802	-2.98%
11				
12	TOTAL Operation - Transmission	131,325	186,376	41.92%
13	Maintenance			
14	568 Maintenance Supervision & Engineering	23,419	29,192	24.65%
15	569 Maintenance of Structures	138	7,523	5351.45%
16	570 Maintenance of Station Equipment	42,874	56,691	32.23%
17	571 Maintenance of Overhead Lines	67,820	345,778	409.85%
18	572 Maintenance of Underground Lines			
19	573 Maintenance of Misc. Transmission Plant			
20				
21	TOTAL Maintenance - Transmission	134,251	439,184	227.14%
22				
23	TOTAL Transmission Expenses	265,576	625,560	135.55%
24	Distribution Expenses			
25	Operation			
27	580 Operation Supervision & Engineering			
28	581 Load Dispatching			
29	582 Station Expenses			
30	583 Overhead Line Expenses			
31	584 Underground Line Expenses			
32	585 Street Lighting & Signal System Expenses			
33	586 Meter Expenses			
34	587 Customer Installations Expenses			
35	588 Miscellaneous Distribution Expenses			
36	589 Rents			
37				
38	TOTAL Operation - Distribution			
39	Maintenance			
40	590 Maintenance Supervision & Engineering			
41	591 Maintenance of Structures			
42	592 Maintenance of Station Equipment			
43	593 Maintenance of Overhead Lines			
44	594 Maintenance of Underground Lines			
45	595 Maintenance of Line Transformers			
46	596 Maintenance of Street Lighting, Signal Systems			
47	597 Maintenance of Meters			
48	598 Maintenance of Miscellaneous Dist. Plant			
49				
50	TOTAL Maintenance - Distribution			
51				
52	TOTAL Distribution Expenses			

MONTANA OPERATION & MAINTENANCE EXPENSES

Year: 2006

Account Number & Title		Last Year	This Year	% Change
1	Customer Accounts Expenses			
2	Operation			
3	901 Supervision			
4	902 Meter Reading Expenses			
5	903 Customer Records & Collection Expenses			
6	904 Uncollectible Accounts Expenses			
7	905 Miscellaneous Customer Accounts Expenses			
8				
9	TOTAL Customer Accounts Expenses			
10	Customer Service & Information Expenses			
11	Operation			
12	907 Supervision			
13	908 Customer Assistance Expenses			
14	909 Informational & Instructional Adv. Expenses			
15	910 Miscellaneous Customer Service & Info. Exp.			
16				
17				
18	TOTAL Customer Service & Info Expenses			
19	Sales Expenses			
20	Operation			
21	911 Supervision			
22	912 Demonstrating & Selling Expenses			
23	913 Advertising Expenses			
24	916 Miscellaneous Sales Expenses			
25				
26				
27	TOTAL Sales Expenses			
28	Administrative & General Expenses			
29	Operation			
30	920 Administrative & General Salaries			
31	921 Office Supplies & Expenses			
32	922 (Less) Administrative Expenses Transferred - Cr.			
33	923 Outside Services Employed			
34	924 Property Insurance			
35	925 Injuries & Damages			
36	926 Employee Pensions & Benefits			
37	927 Franchise Requirements			
38	928 Regulatory Commission Expenses		228	#DIV/0!
39	929 (Less) Duplicate Charges - Cr.			
40	930.1 General Advertising Expenses			
41	930.2 Miscellaneous General Expenses			
42	931 Rents			
43				
44				
45	TOTAL Operation - Admin. & General		228	#DIV/0!
46	Maintenance			
47	935 Maintenance of General Plant	15,484	9,760	-36.97%
48				
49	TOTAL Administrative & General Expenses	15,484	9,988	-35.49%
50				
51	TOTAL Operation & Maintenance Expenses	21,626,681	27,003,731	24.86%

MONTANA TAXES OTHER THAN INCOME

Year: 2006

	Description of Tax	Last Year	This Year	% Change
1	Payroll Taxes			
2	Superfund			
3	Secretary of State			
4	Montana Consumer Counsel	11,586	452	-96.10%
5	Motor Vehicle Tax	3,980	3,545	-10.93%
6	KWH Tax	1,150,555	1,246,923	8.38%
7	Property Taxes	7,298,363	5,938,718	-18.63%
8	Public Commission Tax	24	10,790	44858.33%
9	Colstrip Generation Tax		4,667	#DIV/0!
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51	TOTAL MT Taxes Other Than Income	8,464,508	7,205,095	-14.88%

PAYMENTS FOR SERVICES TO PERSONS OTHER THAN EMPLOYEES

Year: 2006

	Name of Recipient	Nature of Service	Total Company	Montana	% Montana
1					
2	Ascentium	Consulting - IT	416,552		
3	Booz Allen Hamilton	Consulting	613,800		
4	Davis Wright tremaine LLP	Legal	1,634,978		
5	Dorsey & Whitney LLP	Legal	1,582,125		
6	Deloitte & Touche LLP	Independent accountant	1,211,400		
7	Dewey Ballantine LLP	Legal	1,080,877		
8	Goldman Sachs & Co	Investment banking	314,999		
9	Harbor Fisheries, Inc.	Consulting - fish pass	354,650		
10	Hatch Acres Corporation	Engineering	973,124		
11	Heller Ehrman White &...	Legal	2,063,482		
12	Idaho Department of Fish &	Bull trout education p	354,145		
13	Paine Hamblen Coffin Brooke	Legal	1,489,181		
14	Rapidigm, Inc.	Consulting - IT	418,242		
15	Van Ness Feldman	Legal	360,892		
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50	TOTAL Payments for Services		12,868,447		

POLITICAL ACTION COMMITTEES / POLITICAL CONTRIBUTIONS Year: 2006

	Description	Total Company	Montana	% Montana
1				
2	Committee to elect Bob Story	\$75.00	\$75.00	
3	Committee to elect Dan McGee	\$75.00	\$75.00	
4	Committee to elect Gary Perry	\$75.00	\$75.00	
5	Committee to elect Greg Barkus	\$75.00	\$75.00	
6	Committee to elect Keith Bales	\$75.00	\$75.00	
7	Committee to elect Joe Tropila	\$75.00	\$75.00	
8	Committee to elect David Himmelberger	\$75.00	\$75.00	
9	Committee to elect Pat Ingraham	\$75.00	\$75.00	
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19	All contributions in Montana were made by PACs.			
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50	TOTAL Contributions	\$600.00	\$600.00	

Pension Costs

Year: 2006

1	Plan Name The Retirement Plan for Employees of Avista Corporation.			
2	Defined Benefit Plan? Yes	Defined Contribution Plan? No		
3	Actuarial Cost Method? Yes	IRS Code: 001		
4	Annual Contribution by Employer: Varies	Is the Plan Over Funded? No		
5				
	Item	Current Year	Last Year	% Change
6	Change in Benefit Obligation			
7	Benefit obligation at beginning of year	282,680	268,232	-5.11%
8	Service cost	9,806	9,353	-4.62%
9	Interest Cost	16,086	15,246	-5.22%
10	Plan participants' contributions			
11	Amendments			
12	Actuarial Gain	3,089	4,726	52.99%
13	Benefits paid	(14,643)	(14,060)	3.98%
14	Expenses paid		(817)	#DIV/0!
15	Benefit obligation at end of year	297,018	282,680	-4.83%
16	Change in Plan Assets			
17	Fair value of plan assets at beginning of year	199,163	186,579	-6.32%
18	Actual return on plan assets	25,558	12,461	-51.24%
19	Acquisition			
20	Employer contribution	15,000	15,000	
21	Benefits paid	(14,643)	(14,060)	3.98%
22	Expenses paid		(817)	#DIV/0!
23	Fair value of plan assets at end of year	225,078	199,163	-11.51%
24	Funded Status			
25	Unrecognized net actuarial loss	(71,940)	(83,517)	-16.09%
26	Unrecognized prior service cost	63,907	72,678	13.72%
27	Unrecognized net transition obligation/(asset)	3,751	4,405	17.44%
28	Prepaid (accrued) benefit cost	(4,282)	(6,434)	-50.26%
29				
30	Weighted-average Assumptions as of Year End			
31	Discount rate	6.15%	5.75%	-6.50%
32	Expected return on plan assets	8.50%	8.50%	
33	Rate of compensation increase	4.84%	4.84%	
34				
35	Components of Net Periodic Benefit Costs			
36	Service cost	9,806	9,353	-4.62%
37	Interest cost	16,086	15,246	-5.22%
38	Expected return on plan assets	(16,997)	(15,917)	6.35%
39	Transition (asset)/obligation recognition		(499)	
40	Amortization of prior service cost	653	653	
41	Recognized net actuarial loss	3,300	3,035	-8.03%
42	Net periodic benefit cost	12,848	11,871	-7.60%
43				
44	Montana Intrastate Costs:			
45	Pension Costs	not available by state		
46	Pension Costs Capitalized			
47	Accumulated Pension Asset (Liability) at Year End			
48	Number of Company Employees:			
49	Covered by the Plan	2,616	2,527	-3.40%
50	Not Covered by the Plan			
51	Active	1,405	1,368	-2.63%
52	Retired	910	848	-6.81%
53	Deferred Vested Terminated	301	311	3.32%

Other Post Employment Benefits (OPEBS)

	Item	Current Year	Last Year	% Change
1	Regulatory Treatment:			
2	Commission authorized - most recent			
3	Docket number: _____			
4	Order number: _____			
5	Amount recovered through rates			
6	Weighted-average Assumptions as of Year End			
7	Discount rate	6.15%	5.75%	-6.50%
8	Expected return on plan assets	8.50%	8.50%	
9	Medical Cost Inflation Rate	6.00%	6.00%	
10	Actuarial Cost Method	Proj Unit Credit		#VALUE!
11	Rate of compensation increase			
12	List each method used to fund OPEBs (ie: VEBA, 401(h)) and if tax advantaged:			
13				
14				
15	Describe any Changes to the Benefit Plan:			
16				
17	TOTAL COMPANY			
18	Change in Benefit Obligation			
19	Benefit obligation at beginning of year	28,963	31,868	10.03%
20	Service cost	544	566	4.04%
21	Interest Cost	1,755	1,652	-5.87%
22	Plan participants' contributions			
23	Amendments			
24	Actuarial Gain	2,386	(1,800)	-175.44%
25	Benefits paid	(3,557)	(3,293)	7.42%
26	Expenses paid	(30)	(30)	
27	Benefit obligation at end of year	30,061	28,963	-3.65%
28	Change in Plan Assets			
29	Fair value of plan assets at beginning of year	18,378	16,862	-8.25%
30	Actual return on plan assets	2,530	1,236	-51.15%
31	Acquisition			
32	Employer contribution		1,183	#DIV/0!
33	Benefits paid		(873)	#DIV/0!
34	Expenses paid	(30)	(30)	
35	Fair value of plan assets at end of year	20,878	18,378	-11.97%
36	Funded Status			
37	Unrecognized net actuarial loss	(9,183)	(10,585)	-15.27%
38	Unrecognized prior service cost	2,318	973	-58.02%
39	Prepaid (accrued) benefit cost	3,031	3,536	16.66%
		(3,834)	(6,076)	-58.48%
40	Components of Net Periodic Benefit Costs			
41	Service cost	544	566	4.04%
42	Interest cost	1,755	1,652	-5.87%
43	Expected return on plan assets	(1,562)	(1,368)	12.42%
44	Amortization of prior service cost	505	505	
45	Recognized net actuarial loss	90		-100.00%
46	Net periodic benefit cost	1,332	1,355	1.73%
47	Accumulated Post Retirement Benefit Obligation			
48	Amount Funded through VEBA	30,061	28,963	-3.65%
49	Amount Funded through 401(h)			
50	Amount Funded through Other _____			
51	TOTAL	30,061	28,963	-3.65%
52	Amount that was tax deductible - VEBA			
53	Amount that was tax deductible - 401(h)			
54	Amount that was tax deductible - Other _____			
55	TOTAL	30,061	28,963	-3.65%

Year: 2006

Other Post Employment Benefits (OPEBS) Continued

	Item	Current Year	Last Year	% Change
1	Number of Company Employees:			
2	Covered by the Plan	2,384	2,333	-2.14%
3	Not Covered by the Plan			
4	Active	1,666	1,621	-2.70%
5	Retired	718	712	-0.84%
6	Spouses/Dependents covered by the Plan			
7	Montana			
8	Change in Benefit Obligation			
9	Benefit obligation at beginning of year			
10	Service cost			
11	Interest Cost	not available by state		
12	Plan participants' contributions			
13	Amendments			
14	Actuarial Gain			
15	Acquisition			
16	Benefits paid			
17	Benefit obligation at end of year			
18	Change in Plan Assets			
19	Fair value of plan assets at beginning of year			
20	Actual return on plan assets			
21	Acquisition			
22	Employer contribution			
23	Plan participants' contributions			
24	Benefits paid			
25	Fair value of plan assets at end of year			
26	Funded Status			
27	Unrecognized net actuarial loss			
28	Unrecognized prior service cost			
29	Prepaid (accrued) benefit cost			
30	Components of Net Periodic Benefit Costs			
31	Service cost			
32	Interest cost	not available by state		
33	Expected return on plan assets			
34	Amortization of prior service cost			
35	Recognized net actuarial loss			
36	Net periodic benefit cost			
37	Accumulated Post Retirement Benefit Obligation			
38	Amount Funded through VEBA			
39	Amount Funded through 401(h)			
40	Amount Funded through other _____			
41	TOTAL			
42	Amount that was tax deductible - VEBA			
43	Amount that was tax deductible - 401(h)			
44	Amount that was tax deductible - Other			
45	TOTAL			
46	Montana Intrastate Costs:			
47	Pension Costs			
48	Pension Costs Capitalized			
49	Accumulated Pension Asset (Liability) at Year End			
50	Number of Montana Employees:			
51	Covered by the Plan			
52	Not Covered by the Plan			
53	Active			
54	Retired			
55	Spouses/Dependents covered by the Plan			

TOP TEN MONTANA COMPENSATED EMPLOYEES (ASSIGNED OR ALLOCATED)

Line No.	Name/Title	Base Salary	Bonuses	Other	Total Compensation	Total Compensation Last Year	% Increase Total Compensation
1	Timothy Swant Clark Fork License Manager				110,571	90,268	22%
2	Alan Lackner Mgr Clarkfork River Plant Operations				99,109		#DIV/0!
3	Emmet McCabe Senior Technician				92,157	100,876	-9%
4	Patrick Kelly Chief Operator				80,345	78,424	2%
5	Nathan Hall Hydro Licensing & Safety Supv				80,126	64,952	23%
6	Joseph Dos Santos Clark Fork Aquatic Prog Supv				75,936	73,136	4%
7	Lyle Wiltse Journeyman Operator				75,227	73,247	3%
8	Timothy Hill Journeyman Operator				73,411		#DIV/0!
9	David Fausett Apprentice Operator				70,239	59,087	19%
10	Thomas Puyleart Journeyman Operator				69,795	73,649	-5%

COMPENSATION OF TOP 5 CORPORATE EMPLOYEES - SEC INFORMATION

Line No.	Name/Title	Base Salary	Bonuses	Other	Total Compensation	Total Compensation Last Year	% Increase Total Compensation
1	G.G. Ely Chairman, President and CEO	710,029	733,493	1,881,753	3,325,275	2,703,194	23%
2	M.K. Malquist Executive Vice President CFO and Treasurer	338,398	239,369	518,489	1,096,256	840,654	30%
3	S. L. Morris Senior Vice President	351,703	256,466	507,327	1,115,496	837,613	33%
4	M.M. Durkin Senior Vice President General Counsel and Chief Compliance Officer	264,090	181,231	278,805	724,126	N/A	#VALUE!
5	D. J. Meyer Vice President and Chief Counsel for Reg and Gov Affairs	240,000	109,426	343,194	692,620	734,290	-6%
SEC disclosure rules for executive compensation have changed from 2005 to 2006. Therefore data is not comparable. Other compensation includes stock-based awards and the change in pension and non-qualified deferred compensation.							

BALANCE SHEET

Year: 2006

	Account Number & Title	Last Year	This Year	% Change
1	Assets and Other Debits			
2	Utility Plant			
3	101 Electric Plant in Service	2,819,060,580	2,910,719,671	-3%
4	101.1 Property Under Capital Leases	5,525,291	5,525,291	
5	102 Electric Plant Purchased or Sold			
6	104 Electric Plant Leased to Others			
7	105 Electric Plant Held for Future Use			
8	106 Completed Constr. Not Classified - Electric			
9	107 Construction Work in Progress - Electric	55,887,059	89,177,799	-37%
10	108 (Less) Accumulated Depreciation	(927,641,413)	(995,281,671)	7%
11	111 (Less) Accumulated Amortization	(27,871,653)	(11,916,076)	-134%
12	114 Electric Plant Acquisition Adjustments	22,456,903	22,211,433	1%
13	115 (Less) Accum. Amort. Elec. Acq. Adj.	(16,038,272)	(17,158,560)	7%
14	120 Nuclear Fuel (Net)			
15	TOTAL Utility Plant	1,931,378,495	2,003,277,887	-4%
16				
17	Other Property & Investments			
18	121 Nonutility Property	4,142,727	4,670,391	-11%
19	122 (Less) Accum. Depr. & Amort. for Nonutil. Prop.	(858,924)	(878,680)	2%
20	123 Investments in Associated Companies	13,903,000	13,903,000	
21	123.1 Investments in Subsidiary Companies	237,737,798	247,190,561	-4%
22	124 Other Investments	33,701,281	31,166,335	8%
23	128 Other Special Funds	14,049,946	13,360,954	5%
	Long-Term Derivative Instruments	46,731,530	25,574,531	83%
24	TOTAL Other Property & Investments	349,407,358	334,987,092	4%
25				
26	Current & Accrued Assets			
27	131 Cash	(3,602,512)	(3,021,873)	-19%
28	132-134 Special Deposits	5,408,468	4,042,325	34%
29	135 Working Funds	726,275	684,345	6%
30	136 Temporary Cash Investments	513,042	667,445	-23%
31	141 Notes Receivable	39,569		#DIV/0!
32	142 Customer Accounts Receivable	101,478,486	89,325,500	14%
33	143 Other Accounts Receivable	9,041,055	9,714,601	-7%
34	144 (Less) Accum. Provision for Uncollectible Accts.	(3,227,916)	(2,730,352)	-18%
35	145 Notes Receivable - Associated Companies	39,321,130	7,198,865	446%
36	146 Accounts Receivable - Associated Companies		1,465,217	-100%
37	151 Fuel Stock	3,773,050	2,121,931	78%
38	152 Fuel Stock Expenses Undistributed			
39	153 Residuals			
40	154 Plant Materials and Operating Supplies	12,006,429	14,019,070	-14%
41	155 Merchandise			
42	156 Other Material & Supplies			
43	157 Nuclear Materials Held for Sale			
44	163 Stores Expense Undistributed			
	164 Gas Storage	13,476,706	12,912,139	4%
45	165 Prepayments	3,745,002	6,467,948	-42%
46	171 Interest & Dividends Receivable		4,259	-100%
47	172 Rents Receivable	361,071	327,042	10%
48	174 Miscellaneous Current & Accrued Assets	1,449,358	162,032	794%
	176 Derivative Instruments Assets - Hedges	116,224,963	36,402,843	
49	Long-Term Derivative Instruments	(46,731,530)	(25,574,531)	-83%
50	TOTAL Current & Accrued Assets	254,002,646	154,188,806	65%

BALANCE SHEET

Year: 2006

	Account Number & Title	Last Year	This Year	% Change
1				
2	Assets and Other Debits (cont.)			
3				
4	Deferred Debits			
5				
6	181 Unamortized Debt Expense	15,692,385	17,931,388	-12%
7	182.1 Extraordinary Property Losses			
8	182.2 Unrecovered Plant & Regulatory Study Costs			
9	182.3 Other Regulatory Assets	225,248,761	323,816,436	
10	183 Prelim. Survey & Investigation Charges	10,988,821	8,645,616	27%
11	184 Clearing Accounts		8,046	-100%
12	185 Temporary Facilities			
13	186 Miscellaneous Deferred Debits	40,675,589	31,297,127	30%
14	187 Deferred Losses from Disposition of Util. Plant			
15	188 Research, Devel. & Demonstration Expend.			
16	189 Unamortized Loss on Reacquired Debt	32,829,288	28,622,766	15%
17	190 Accumulated Deferred Income Taxes	34,647,400	55,602,315	-38%
18	191 Unrecovered Purchased Gas Costs	43,444,010	18,275,674	
18	TOTAL Deferred Debits	403,526,254	484,199,368	-17%
19				
20	TOTAL Assets & Other Debits	2,938,314,753	2,976,653,153	-1%
	Account Title	Last Year	This Year	% Change
20				
21	Liabilities and Other Credits			
22				
23	Proprietary Capital			
24				
25	201 Common Stock Issued	631,083,752	722,039,406	-13%
26	202 Common Stock Subscribed			
27	204 Preferred Stock Issued	-	-	
28	205 Preferred Stock Subscribed			
29	207 Premium on Capital Stock			
30	211 Miscellaneous Paid-In Capital			
31	213 (Less) Discount on Capital Stock			
32	214 (Less) Capital Stock Expense	(10,485,244)	(6,419,099)	-63%
33	215 Appropriated Retained Earnings	132,024,036	168,082,338	-21%
34	216 Unappropriated Retained Earnings	41,804,777	51,109,032	-18%
35	217 (Less) Reacquired Capital Stock			
36	219 Accumulated Other Comprehensive Income	(23,299,148)	(17,965,585)	
36	TOTAL Proprietary Capital	771,128,173	916,846,092	-16%
37				
38	Long Term Debt			
39				
40	221 Bonds	719,082,687	685,196,931	5%
41	222 (Less) Reacquired Bonds			
42	223 Advances from Associated Companies	115,203,000	115,203,000	
43	224 Other Long Term Debt	391,538,636	315,600,402	24%
44	225 Unamortized Premium on Long Term Debt	266,500	257,617	3%
45	226 (Less) Unamort. Discount on L-Term Debt-Dr.	(1,879,744)	(1,709,479)	-10%
46	TOTAL Long Term Debt	1,224,211,079	1,114,548,471	10%

BALANCE SHEET

Year: 2006

	Account Number & Title	Last Year	This Year	% Change
1				
2	Total Liabilities and Other Credits (cont.)			
3				
4	Other Noncurrent Liabilities			
5				
6	227 Obligations Under Cap. Leases - Noncurrent	1,983,184	394,921	402%
7	228.1 Accumulated Provision for Property Insurance			
8	228.2 Accumulated Provision for Injuries & Damages	790,259	954,409	-17%
9	228.3 Accumulated Provision for Pensions & Benefits	47,353,587	83,419,511	-43%
10	228.4 Accumulated Misc. Operating Provisions			
11	Long-Term Derivative Instruments	10,044,751	15,318,835	-34%
	230 Asset Retirement Obligations	4,528,823	4,809,738	
12	TOTAL Other Noncurrent Liabilities	64,700,604	104,897,414	-38%
13				
14	Current & Accrued Liabilities			
15				
16	231 Notes Payable			
17	232 Accounts Payable	139,804,777	112,367,144	24%
18	233 Notes Payable to Associated Companies			
19	234 Accounts Payable to Associated Companies	769,180	980,544	-22%
20	235 Customer Deposits	6,264,115	6,463,634	-3%
21	236 Taxes Accrued	(2,112,798)	(4,887,161)	57%
22	237 Interest Accrued	18,643,064	11,594,861	61%
23	238 Dividends Declared			
24	241 Tax Collections Payable	2,893	2,651	9%
25	242 Miscellaneous Current & Accrued Liabilities	35,225,169	63,245,923	-44%
26	243 Obligations Under Cap. Leases - Current	1,050,181	281,894	273%
27	245 Derivative Instrument Liabilities - Hedges	13,491,450	88,797,291	-85%
28	Long-Term Derivative Instruments	(10,044,751)	(15,318,835)	34%
29	TOTAL Current & Accrued Liabilities	203,093,280	263,527,946	-23%
30				
31	Deferred Credits			
32				
33	252 Customer Advances for Construction	820,898	1,087,069	-24%
34	253 Other Deferred Credits	36,304,164	36,280,631	0%
35	254 Other Regulatory Liabilities	116,251,545	18,246,960	537%
36	255 Accumulated Deferred Investment Tax Credits	521,652	472,344	10%
37	257 Unamortized Gain on Reacquired Debt	3,754,170	3,282,969	14%
38	281-283 Accumulated Deferred Income Taxes	517,529,188	517,463,257	0%
39	TOTAL Deferred Credits	675,181,617	576,833,230	17%
40				
41	TOTAL LIABILITIES & OTHER CREDITS	2,938,314,753	2,976,653,153	-1%

MONTANA PLANT IN SERVICE (ASSIGNED & ALLOCATED)

Year: 2006

	Account Number & Title	Last Year	This Year	% Change
1				
2	Intangible Plant			
3				
4	301 Organization			
5	302 Franchises & Consents	6,222,448	6,222,448	
6	303 Miscellaneous Intangible Plant	164,808	(20,531)	903%
7				
8	TOTAL Intangible Plant	6,387,256	6,201,917	3%
9				
10	Production Plant			
11				
12	Steam Production			
13				
14	310 Land & Land Rights	1,299,299	1,296,911	0%
15	311 Structures & Improvements	99,988,600	99,987,414	0%
16	312 Boiler Plant Equipment	120,425,088	121,837,148	-1%
17	313 Engines & Engine Driven Generators			
18	314 Turbogenerator Units	32,121,484	33,989,562	-5%
19	315 Accessory Electric Equipment	14,425,012	15,999,915	-10%
20	316 Miscellaneous Power Plant Equipment	12,781,406	12,912,553	-1%
21	317 Asset Retirement Costs	134,589	134,589	
22	TOTAL Steam Production Plant	281,175,478	286,158,092	-2%
23				
24	Nuclear Production			
25				
26	320 Land & Land Rights			
27	321 Structures & Improvements			
28	322 Reactor Plant Equipment			
29	323 Turbogenerator Units			
30	324 Accessory Electric Equipment			
31	325 Miscellaneous Power Plant Equipment			
32				
33	TOTAL Nuclear Production Plant			
34				
35	Hydraulic Production			
36				
37	330 Land & Land Rights	41,455,568	42,413,876	-2%
38	331 Structures & Improvements	11,896,299	12,411,466	-4%
39	332 Reservoirs, Dams & Waterways	32,994,267	33,001,627	0%
40	333 Water Wheels, Turbines & Generators	33,135,439	33,266,432	0%
41	334 Accessory Electric Equipment	11,767,699	12,990,599	-9%
42	335 Miscellaneous Power Plant Equipment	2,649,480	2,775,435	-5%
43	336 Roads, Railroads & Bridges	225,369	225,369	
44				
45	TOTAL Hydraulic Production Plant	134,124,121	137,084,804	-2%

MONTANA PLANT IN SERVICE (ASSIGNED & ALLOCATED)

Year: 2006

	Account Number & Title	Last Year	This Year	% Change
1				
2	Production Plant (cont.)			
3				
4	Other Production			
5				
6	340 Land & Land Rights			
7	341 Structures & Improvements			
8	342 Fuel Holders, Producers & Accessories			
9	343 Prime Movers			
10	344 Generators			
11	345 Accessory Electric Equipment			
12	346 Miscellaneous Power Plant Equipment			
13				
14	TOTAL Other Production Plant			
15				
16	TOTAL Production Plant	415,299,599	423,242,896	-2%
17				
18	Transmission Plant			
19				
20	350 Land & Land Rights	883,384	883,384	
21	352 Structures & Improvements	461,581	461,581	
22	353 Station Equipment	16,371,268	16,479,010	-1%
23	354 Towers & Fixtures	16,013,530	16,013,530	
24	355 Poles & Fixtures	7,173,299	7,173,299	
25	356 Overhead Conductors & Devices	15,745,311	15,745,311	
26	357 Underground Conduit			
27	358 Underground Conductors & Devices			
28	359 Roads & Trails	367,476	367,476	
29				
30	TOTAL Transmission Plant	57,015,849	57,123,591	0%
31				
32	Distribution Plant			
33				
34	360 Land & Land Rights			
35	361 Structures & Improvements	15,881	15,881	
36	362 Station Equipment	152,268	152,268	
37	363 Storage Battery Equipment			
38	364 Poles, Towers & Fixtures	10,080	10,080	
39	365 Overhead Conductors & Devices	6,676	6,676	
40	366 Underground Conduit	46	46	
41	367 Underground Conductors & Devices	637	637	
42	368 Line Transformers	897	897	
43	369 Services	127	127	
44	370 Meters	29	29	
45	371 Installations on Customers' Premises			
46	372 Leased Property on Customers' Premises			
47	373 Street Lighting & Signal Systems			
48				
49	TOTAL Distribution Plant	186,641	186,641	

MONTANA PLANT IN SERVICE (ASSIGNED & ALLOCATED)

Year: 2006

	Account Number & Title	Last Year	This Year	% Change
1				
2	General Plant			
3				
4	389 Land & Land Rights			
5	390 Structures & Improvements			
6	391 Office Furniture & Equipment			
7	392 Transportation Equipment	23,520	174,931	-87%
8	393 Stores Equipment			
9	394 Tools, Shop & Garage Equipment			
10	395 Laboratory Equipment			
11	396 Power Operated Equipment		34,660	-100%
12	397 Communication Equipment	23,881	24,007	-1%
13	398 Miscellaneous Equipment			
14	399 Other Tangible Property			
15				
16	TOTAL General Plant	47,401	233,598	
17				
18	TOTAL Electric Plant in Service	478,936,746	486,988,643	

MONTANA DEPRECIATION SUMMARY

Year: 2006

	Functional Plant Classification	Plant Cost	Accumulated Depreciation		Current
			Last Year Bal.	This Year Bal.	Avg. Rate
1					
2	Steam Production	286,158,092	165,175,782	173,627,659	N/A
3	Nuclear Production				
4	Hydraulic Production	137,084,804	16,339,774	17,131,668	N/A
5	Other Production				
6	Transmission	57,123,591	19,796,338	20,191,315	N/A
7	Distribution	186,641	58,059	57,488	N/A
8	General		1,396,223	1,414,499	N/A
9	TOTAL	480,553,128	202,766,176	212,422,629	

MONTANA MATERIALS & SUPPLIES (ASSIGNED & ALLOCATED)

SCHEDULE 21

	Account	Last Year Bal.	This Year Bal.	%Change
1				
2	151 Fuel Stock	597,429	694,391	-14%
3	152 Fuel Stock Expenses Undistributed			
4	153 Residuals			
5	154 Plant Materials & Operating Supplies:			
6	Assigned to Construction (Estimated)			
7	Assigned to Operations & Maintenance			
8	Production Plant (Estimated)	1,596,787	1,645,850	-3%
9	Transmission Plant (Estimated)			
10	Distribution Plant (Estimated)			
11	Assigned to Other			
12	155 Merchandise			
13	156 Other Materials & Supplies			
14	157 Nuclear Materials Held for Sale			
15	163 Stores Expense Undistributed			
16				
17	TOTAL Materials & Supplies	2,194,216	2,340,241	-6%

MONTANA REGULATORY CAPITAL STRUCTURE & COSTS

SCHEDULE 22

	Commission Accepted - Most Recent	% Cap. Str.	% Cost Rate	Weighted Cost
1	Docket Number			
2	Order Number			
3				
4	Common Equity	Reference is made to Schedule 27		
5	Preferred Stock			
6	Long Term Debt			
7	Other			
8	TOTAL			
9				
10	Actual at Year End			
11				
12	Common Equity			
13	Preferred Stock			
14	Long Term Debt			
15	Other			
16	TOTAL			

STATEMENT OF CASH FLOWS

Year: 2006

	Description	Last Year	This Year	% Change
1				
2	Increase/(decrease) in Cash & Cash Equivalents:			
3				
4	Cash Flows from Operating Activities:			
5	Net Income	45,168,302	73,132,859	-38%
6	Depreciation	79,158,362	84,354,287	-6%
7	Amortization	19,841,137	66,518,167	-70%
8	Deferred Income Taxes - Net	17,594,223	(16,465,046)	207%
9	Investment Tax Credit Adjustments - Net	(49,308)	(49,308)	
10	Change in Operating Receivables - Net	(54,565,111)	11,519,009	-574%
11	Change in Materials, Supplies & Inventories - Net	(5,674,661)	203,045	-2895%
12	Change in Operating Payables & Accrued Liabilities - Net	75,447,322	(8,118,183)	1029%
13	Allowance for Funds Used During Construction (AFUDC)	(3,078,080)	(2,429,542)	-27%
14	Change in Other Assets & Liabilities - Net	(14,179,789)	(15,949,173)	11%
15	Other Operating Activities (explained on attached page)	(4,695,305)	(19,773,577)	76%
16	Net Cash Provided by/(Used in) Operating Activities	154,967,092	172,942,538	-10%
17				
18	Cash Inflows/Outflows From Investment Activities:			
19	Construction/Acquisition of Property, Plant and Equipment	(259,675,718)	(156,952,633)	-65%
20	(net of AFUDC & Capital Lease Related Acquisitions)			
21	Acquisition of Other Noncurrent Assets			
22	Proceeds from Disposal of Noncurrent Assets	17,014,769	657,770	2487%
23	Investments In and Advances to Affiliates			
24	Contributions and Advances from Affiliates	18,785,415	36,646,304	-49%
25	Disposition of Investments in and Advances to Affiliates			
26	Other Investing Activities (explained on attached page)	1,554,805	4,735,719	-67%
27	Net Cash Provided by/(Used in) Investing Activities	(222,320,729)	(114,912,840)	-93%
28				
29	Cash Flows from Financing Activities:			
30	Proceeds from Issuance of:			
31	Long-Term Debt	149,632,500	149,778,000	0%
32	Preferred Stock			
33	Common Stock	1,570,795	88,393,784	-98%
34	Long-Term Debt to Affiliated Trusts			
35	Net Increase in Short-Term Debt			
36	Other:			
37	Payment for Retirement of:			
38	Long-Term Debt	(56,440,903)	(197,231,550)	71%
39	Preferred Stock	(1,750,000)	(1,750,000)	
40	Common Stock			
41	Long-Term Debt to Affiliated Trusts			
42	Net Decrease in Short-Term Debt	(5,000,000)	(59,000,000)	92%
43	Dividends on Preferred Stock			
44	Dividends on Common Stock	(26,443,249)	(27,927,206)	5%
45	Other Financing Activities (explained on attached page)	1,465,768	(9,599,614)	115%
46	Net Cash Provided by (Used in) Financing Activities	63,034,911	(57,336,586)	210%
47				
48	Net Increase/(Decrease) in Cash and Cash Equivalents	(4,318,726)	693,112	-723%
49	Cash and Cash Equivalents at Beginning of Year	1,955,531	(2,363,195)	183%
50	Cash and Cash Equivalents at End of Year	(2,363,195)	(1,670,083)	-42%

STATEMENT OF CASH FLOWS

Year: 2006

	Description	Last Year	This Year	% Change
1	Detail of Lines 15, 26 and 45			
2	Line 15: Other Operating Activities			
3	Gain on disposition of property	(4,398,103)	(99,559)	
4	ESOP Dividends	37,791	415,596	
5	Change in allowance for uncollectible receivables	504,630	(497,564)	201%
6	Regulatory Gas Cost and Power Cost Adjustment	(7,451,146)	(6,497,199)	-15%
7	Non-cash stock compensation	-	3,744,610	
8	Subsidiary earnings	6,611,523	(16,839,461)	139%
9	Total Line 15	(4,695,305)	(19,773,577)	76%
10				
11	Line 26: Other Investing Activities			
	Proceeds from sale of utility property claim		5,483,780	
	Changes in other property and investments	1,540,127	(763,324)	
12	Notes receivable	14,678	15,263	
13	Total Line 26	1,554,805	4,735,719	
10	Line 45: Other Financing Activities			
	Cash received (paid) in interest rate swap agreement	4,445,000	(3,738,000)	
11	Premiums paid for repurchase of debt	(826,430)	(425,996)	
12	Debt Issuance costs	(2,152,802)	(5,435,618)	
13	Total Line 45	1,465,768	(9,599,614)	

LONG TERM DEBT

Year: 2006

	Description	Issue Date Mo./Yr.	Maturity Date Mo./Yr.	Principal Amount	Net Proceeds	Outstanding Per Balance Sheet	Yield to Maturity	Annual Net Cost Inc. Prem/Disc.	Total Cost %
1									
2	<u>Medium-Term Notes</u>								
3	Series A	various	various	250,000,000	248,374,625	68,000,000	8.20%	5,573,738	8.20%
4	Series B	various	various	161,000,000	160,141,500	5,000,000	6.98%	371,012	7.42%
5	Series A	various	various	200,000,000	198,800,000	3,000,000	8.02%	247,203	8.24%
6	Series B	various	various	150,000,000	149,175,000	9,000,000	7.98%	754,148	8.38%
7	Series C	various	various	109,000,000	108,272,250	88,850,000	6.55%	5,815,727	6.55%
8									
9									
10	<u>Pollution Control Bonds</u>								
11	Colstrip 1999A	9/1/99	10/1/32	66,700,000	59,343,493	66,700,000	5.75%	3,959,818	5.94%
12	Colstrip 1999B	9/1/99	3/1/34	17,000,000	14,875,407	17,000,000	5.99%	1,017,541	5.99%
13	6% Pollution Control Bonds	7/1/93	12/1/23	4,100,000	2,838,725	4,100,000	6.51%	267,007	6.51%
14									
15	<u>First Mortgage Bonds</u>								
16	6.125% Issued September 2003	9/1/03	9/1/13	45,000,000	44,795,250	45,000,000	6.41%	2,965,488	6.59%
17	5.45% Issued November 2004	11/18/04	12/1/19	90,000,000	88,975,000	90,000,000	5.56%	5,006,273	5.56%
18	6.25% Issued Nov/Dec 2005	11/17/05	12/1/35	150,000,000	147,937,500	150,000,000	6.35%	9,529,263	6.35%
19	5.70% Issued Dec 2006	12/15/06	7/1/37	150,000,000	145,687,500	150,000,000	5.90%	8,856,071	5.90%
20									
21	Senior Notes	4/3/01	6/1/08	400,000,000	392,000,000	272,860,000	10.34%	28,327,456	10.38%
22									
###	Junior Subordinated Debentures	4/5/04	4/1/34	61,856,000	53,109,004	61,856,000	7.46%	4,478,559	7.24%
24	Junior Subordinated Debentures	6/3/97	6/1/37	51,547,000	36,828,822	51,547,000	5.92%	2,369,705	4.60%
25									
26	5-year committed line of credit	12/19/04	12/19/05	350,000,000	4,000,000	4,000,000	6.28%	1,214,344	30.36%
27	Total cost includes commitment fees								
28									
29									
30									
31									
32	TOTAL			2,256,203,000	1,855,154,076	1,086,913,000		80,753,353	7.43%

PREFERRED STOCK

Year: 2006

	Series	Issue Date Mo./Yr.	Shares Issued	Par Value	Call Price	Net Proceeds	Cost of Money	Principal Outstanding	Annual Cost	Embed. Cost %
1										
2	Subject to									
3	mandatory redemption:									
4	Series K	09/15/92	315,000	\$100	-	\$26,328,489	\$6.95	\$26,250,000	\$1,824,375	7.39%
5										
6	Included as Long-Term Debt on the Balance Sheet									
7										
8										
9										
10										
11										
12										
13										
14										
15										
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21										
22										
23										
24										
25										
26										
27										
28										
29										
30										
31										
32	TOTAL					26,328,489		26,250,000	1,824,375	

COMMON STOCK

Year: 2006

		Avg. Number of Shares Outstanding	Book Value Per Share	Earnings Per Share	Dividends Per Share	Retention Ratio	Market Price High	Market Price Low	Price/ Earnings Ratio
1									
2									
3									
4	January								
5									
6	February								
7									
8	March	48,795,467	16.51	0.64	0.140		20.67	17.61	
9									
10	April								
11									
12	May								
13									
14	June	48,957,563	16.69	0.27	0.140		23.15	19.82	
15									
16	July								
17									
18	August								
19									
20	September	49,098,403	16.66	0.20	0.145		25.29	22.38	
21									
22	October								
23									
24	November								
25									
26	December	49,787,623	17.46	0.36	0.145		27.52	23.47	
27									
28									
29									
30									
31									
32	TOTAL Year End	49,162,314	17.46	1.47	0.57	61.22%	25.31		17.2

MONTANA EARNED RATE OF RETURN

Year: 2006

	Description	Last Year	This Year	% Change
	Rate Base			
1				
2	101 Plant in Service			
3	108 (Less) Accumulated Depreciation			
4	NET Plant in Service			
5				
6	Additions			
7	154, 156 Materials & Supplies			
8	165 Prepayments			
9	Other Additions			
10	TOTAL Additions			
11				
12	Deductions			
13	190 Accumulated Deferred Income Taxes			
14	252 Customer Advances for Construction			
15	255 Accumulated Def. Investment Tax Credits			
16	Other Deductions			
17	TOTAL Deductions			
18	TOTAL Rate Base			
19				
20	Net Earnings			
21				
22	Rate of Return on Average Rate Base			
23				
24	Rate of Return on Average Equity			
25				
26	Major Normalizing Adjustments & Commission			
27	Ratemaking adjustments to Utility Operations			
28				
29				
30	Rates charged were based on the			
31	Company's last rate order from the Idaho			
32	Public Utilities Commission and accepted by			
33	the Montana Commission. The Company			
34	does not calculate separate rates of return			
35	for the Montana jurisdiction.			
36				
37				
38				
39				
40				
41				
42				
43				
44				
45				
46				
47	Adjusted Rate of Return on Average Rate Base			
48				
49	Adjusted Rate of Return on Average Equity			

MONTANA COMPOSITE STATISTICS

Year: 2006

	Description	Amount
1		
2	Plant (Intrastate Only) (000 Omitted)	
3		
4	101 Plant in Service	486,989
5	107 Construction Work in Progress	
6	114 Plant Acquisition Adjustments	
7	105 Plant Held for Future Use	
8	154, 156 Materials & Supplies	2,340
9	(Less):	
10	108, 111 Depreciation & Amortization Reserves	(202,766)
11	252 Contributions in Aid of Construction	
12		
13	NET BOOK COSTS	286,563
14		
15	Revenues & Expenses (000 Omitted)	
16		
17	400 Operating Revenues	14,759
18		
19	403 - 407 Depreciation & Amortization Expenses	11,333
20	Federal & State Income Taxes	214
21	Other Taxes	7,205
22	Other Operating Expenses	27,004
23	TOTAL Operating Expenses	45,755
24		
25	Net Operating Income	(30,996)
26		
27	415-421.1 Other Income	
28	421.2-426.5 Other Deductions	
29		
30	NET INCOME	(30,996)
31		
32	Customers (Intrastate Only)	
33		
34	Year End Average:	
35	Residential	11
36	Commercial	1
37	Industrial	
38	Other	7
39		
40	TOTAL NUMBER OF CUSTOMERS	19
41		
42	Other Statistics (Intrastate Only)	
43		
44	Average Annual Residential Use (Kwh))	14,364
45	Average Annual Residential Cost per (Kwh) (Cents) *	4.52
46	* Avg annual cost = [(cost per Kwh x annual use) + (mo. svc chrg x 12)]/annual use	
47	Average Residential Monthly Bill	54.14
48	Gross Plant per Customer	44,272

MONTANA CUSTOMER INFORMATION

Year: 2006

	City/Town	Population (Include Rural)	Residential Customers	Commercial Customers	Industrial & Other Customers	Total Customers
1						
2	Noxon, Montana		11	1	7	19
3						
4						
5						
6						
7						
8						
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10						
11						
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27						
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29						
30						
31						
32	TOTAL Montana Customers		11	1	7	19

MONTANA EMPLOYEE COUNTS

Year: 2006

	Department	Year Beginning	Year End	Average
1				
2	Noxon Generating Station	30	32	31
3				
4				
5				
6				
7				
8				
9				
10				
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41				
42				
43				
44				
45				
46				
47				
48				
49				
50	TOTAL Montana Employees	30	32	31

MONTANA CONSTRUCTION BUDGET (ASSIGNED & ALLOCATED)

Year: 2006

	Project Description	Total Company	Total Montana
1			
2	Noxon Rapids Capital Projects Upgrades	8,767,699	8,767,699
3			
4	Clark Fork Improvement	4,303,060	4,303,060
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			
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37			
38			
39			
40			
41			
42			
43			
44			
45			
46			
47			
48			
49			
50	TOTAL	13,070,759	13,070,759

TOTAL SYSTEM & MONTANA PEAK AND ENERGY

Year: 2006

System

		Peak Day of Month	Peak Hour	Peak Day Volumes Megawatts	Total Monthly Volumes Energy (Mwh)	Non-Requirements Sales For Resale (Mwh)
1	Jan.	16	1800	1475	1,061,457	201,639
2	Feb.	17	900	1656	1,048,377	253,049
3	Mar.	8	1900	1427	1,217,058	405,956
4	Apr.	19	800	1234	1,105,703	409,822
5	May	18	1700	1387	1,264,757	550,892
6	Jun.	27	1600	1531	1,212,576	503,147
7	Jul.	24	1600	1642	1,178,059	359,034
8	Aug.	7	1700	1490	915,009	136,728
9	Sep.	6	1700	1378	809,214	117,186
10	Oct.	31	800	1424	855,134	108,333
11	Nov.	29	1800	1646	1,097,328	281,695
12	Dec.	18	1900	1528	1,147,104	224,881
13	TOTAL				12,911,776	3,552,362

Montana

		Peak Day of Month	Peak Hour	Peak Day Volumes Megawatts	Total Monthly Volumes Energy (Mwh)	Non-Requirements Sales For Resale (Mwh)
14	Jan.					
15	Feb.					
16	Mar.					
17	Apr.					
18	May					
19	Jun.					
20	Jul.					
21	Aug.					
22	Sep.					
23	Oct.					
24	Nov.					
25	Dec.					
26	TOTAL					

TOTAL SYSTEM Sources & Disposition of Energy**SCHEDULE 33**

	Sources	Megawatthours	Disposition	Megawatthours
1	Generation (Net of Station Use)			
2	Steam	1,932,611	Sales to Ultimate Consumers (Include Interdepartmental)	8,787,002
3	Nuclear			
4	Hydro - Conventional	4,127,672		
5	Hydro - Pumped Storage		Requirements Sales for Resale	3,552,362
6	Other	1,501,078		
7	(Less) Energy for Pumping			
8	NET Generation	7,561,361	Non-Requirements Sales for Resale	
9	Purchases	5,323,232		
10	Power Exchanges			
11	Received	1,101,469	Energy Furnished Without Charge	
12	Delivered	(1,074,286)		
13	NET Exchanges	27,183		
14	Transmission Wheeling for Others		Energy Used Within Electric Utility	12,688
15	Received	3,454,585		
16	Delivered	(3,454,585)		
17	NET Transmission Wheeling		Total Energy Losses	559,724
18	Transmission by Others Losses			
19	TOTAL	12,911,776	TOTAL	12,911,776

SOURCES OF ELECTRIC SUPPLY

Year: 2006

	Type	Plant Name	Location	Annual Peak (MW)	Annual Energy (Mwh)
1					
2	Washington:				
3					
4	Thermal	Kettle Falls	Kettle Falls, WA	53	353,813
5	Hydro	Little Falls	Ford, WA	37	222,692
6	Hydro	Long Lake	Ford, WA	90	553,252
7	Hydro	Monroe Street	Spokane, WA	16	106,272
8	Hydro	Nine Mile	Spokane, WA	21	110,083
9	Hydro	Upper Falls	Spokane, WA	11	68,785
10	Combustion -				
11	Turbine	Northeast	Spokane, WA	54	1,863
12	Combustion -				
13	Turbine	Kettle Falls Bi-fuel	Kettle Falls, WA	9	1,182
14	Combustion -				
15	Turbine	Boulder Park	Spokane, WA	25	17,262
16					
17					
18	Idaho:				
19	Hydro	Cabinet Gorge	Clark Fork, ID	261	1,145,802
20	Hydro	Post Falls	Post Falls, ID	18	96,841
21	Combustion -				
22	Turbine	Rathdrum	Rathdrum, ID	143	21,789
23					
24					
25					
26	Montana:				
27	Thermal	Colstrip #3 and #4	Colstrip, MT	222	1,578,798
28	Hydro	Noxon	Thompson Falls, MT	542	1,823,945
29					
30	Oregon:				
31	Combustion -				
32	Turbine	Coyote Springs 2	Boardman, OR	304	1,458,982
33					
34					
35					
36					
37					
38					
39					
40					
41					
42					
43					
44					
45					
46					
47					
48					
49	Total			1,806	7,561,361

MONTANA CONSERVATION & DEMAND SIDE MANAGEMENT PROGRAMS

Year: 2006

	Program Description	Current Year Expenditures	Last Year Expenditures	% Change	Planned Savings (MW & MWH)	Achieved Savings (MW & MWH)	Difference (MW & MWH)
1	Not applicable						
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
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23							
24							
25							
26							
27							
28							
29							
30							
31							
32	TOTAL						

Electric Universal System Benefits Programs

	Program Description	Actual Current Year Expenditures	Contracted or Committed Current Year Expenditures	Total Current Year Expenditures	Expected savings (MW and MWh)	Most recent program evaluation
1	Local Conservation					
2						
3	Avista Corp. does not have any benefit programs in Montana.					
4						
5						
6						
7						
8	Market Transformation					
9						
10						
11						
12						
13						
14						
15	Renewable Resources					
16						
17						
18						
19						
20						
21						
22	Research & Development					
23						
24						
25						
26						
27						
28						
29	Low Income					
30						
31						
32						
33						
34						
35	Large Customer Self Directed					
36						
37						
38						
39						
40						
41						
42	Total					
43	Number of customers that received low income rate discounts					
44	Average monthly bill discount amount (\$/mo)					
45	Average LIEAP-eligible household income					
46	Number of customers that received weatherization assistance					
47	Expected average annual bill savings from weatherization					
48	Number of residential audits performed					

Montana Conservation & Demand Side Management Programs

	Program Description	Actual Current Year Expenditures	Contracted or Committed Current Year Expenditures	Total Current Year Expenditures	Expected savings (MW and MWh)	Most recent program evaluation
1	Local Conservation					
2						
3	Avista Corp. does not have any conservation & demand side management programs in Montana.					
4						
5						
6						
7						
8	Demand Response					
9						
10						
11						
12						
13						
14						
15	Market Transformation					
16						
17						
18						
19						
20						
21						
22	Research & Development					
23						
24						
25						
26						
27						
28						
29	Low Income					
30						
31						
32						
33						
34						
35	Other					
36						
37						
38						
39						
40						
41						
42						
43						
44						
45						
46	Total					Page 40

MONTANA CONSUMPTION AND REVENUES

Year: 2006

	Sales of Electricity	Operating Revenues		MegaWatt Hours Sold		Avg. No. of Customers	
		Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
1	Residential	\$7,147	\$6,958	158	153	11	11
2	Commercial - Small	2,223	1,976	34	30	1	1
3	Commercial - Large						
4	Industrial - Small						
5	Industrial - Large						
6	Interruptible Industrial						
7	Public Street & Highway Lighting						
8	Other Sales to Public Authorities						
9	Sales to Cooperatives						
10	Sales to Other Utilities	7,445	6,393	115	96	7	7
11	Interdepartmental						
12							
13	TOTAL	\$16,815	\$15,327	307	279	19	19